

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:3801
ANSWERED ON:19.04.2010
COST MARGIN OF SHIPPING SECTOR
Sarvey Shri Sathyanarayana

Will the Minister of SHIPPING be pleased to state:

- (a) whether the falling demand in the shipping sector has adversely impacted cost margin;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the action plan prepared by the Government in this regard for the remaining Eleventh Five Year Plan?.

Answer

MINISTER OF SHIPPING (SHRI G.K. VASAN)

(a): Yes, Madam. Shipping demand is a derived demand and is dependent on trade volumes for creating demand for shipping services. In this context the global economic crisis which started in September, 2008 had a major impact on global trade. In 2009 it is estimated that the world GDP shrank by 1.1%.

(b): In the container segment, the ships which were earlier carrying full load of containers had to be operated carrying considerably fewer containers. With the high fixed costs continuing to be incurred in the shipping operations, the cost per unit increased. Also in view of the lower demand, the freight rates declined.

For the tanker sector, the global oil demand turned out much weaker mainly due to the slump in oil consumption in the west. It is estimated that on a year on year basis tanker freight rates across crude and product tankers declined by about 60% on a year on year basis with owners having to operate at below breakeven levels for virtually the entire year. Similarly, the LPG Sector too followed the same pattern, with very large gas carriers (VLGC) suffering a 60% fall in time charter rates and an increase in idling due to lack of cargoes.

The dry bulk sector had felt the impact of the global crisis immediately. The issuance of letters of credit, an instrument vital to the carrying on of international trade, had reduced considerably in the aftermath of the crisis.

(c): Government had introduced tonnage tax regime for shipping sector in 2004. Further, Indian shipping industry has been provided cargo support through right of first refusal & policy of FOB import is being followed for government owned/controlled cargoes. Further, chartering of vessels for movement of cargo on private account is regulated through the Director General of Shipping taking into consideration the availability of Indian flag vessels. These measures are likely to be continued in the remaining period of eleventh Five Year Plan to support Indian shipping Industry.